

The Edgefield County Council held a Called Council Meeting at 6:00 P. M. Tuesday, September 21, 2004, at the Edgefield County Hospital. The purpose of the called meeting was for the Edgefield County Hospital Finance Committee to present to the council a list of capital needs.

**Members present:**

C. Monroe Kneece, Chairman  
Willie C. Bright, Vice Chairman  
Norman Dorn, Councilman  
Everette Kitchens, Councilman

**Members absent:**

Joel Hudson, Councilman

**Others present:**

Wayne Adams, County Administrator  
John F. Byrd, County Attorney  
Barbara R. Stark, Clerk to Council

**Hospital**

Sam Gregory, Administrator  
Troy Pickens, CFO  
Frank Feltham, Chairman, Hospital Trustees  
John Pettigrew, Board of Trustees  
Dr. Dale Gordineer

**McNair Law Firm**

Frannie Heizer  
Baylen Moore

**Media**

Suzanne Derrick, *The Edgefield Advertiser*

Chairman Kneece called the meeting to order and the invocation was given by John Pettigrew.

The Administrator introduced Ms. Frannie Heizer and Baylen Moore with the McNair Law Firm in Columbia. Ms. Heizer attended the meeting concerning the Bond Anticipation Note Renewal Ordinance.

## Ordinance

The motion to approve second reading of Ordinance No. 04-05-449 was made by Councilman Bright and seconded by Councilman Dorn. This is “An Ordinance Authorizing the Execution and Delivery of Not Exceeding \$1,500,000 in Principal Amount of a Hospital Revenue Bond Anticipation Note (The Edgefield County Hospital Project) of Edgefield County, South Carolina; Providing for the Form and Details of the Note; Providing for the Disposition of the Proceeds Thereof; and Other Matters Related Thereto.” Motion carried unanimously.

## Hospital

Mr. Sam Gregory, Hospital CEO, addressed council on behalf of the hospital’s finance committee. As Mr. Gregory stated, this was a follow-up to the council’s September 7<sup>th</sup> regular meeting when the hospital budget was presented. Mr. Gregory said the committee has listed some capital expense items and prioritized some items that will be needed in filing for Critical Access. **Attached is a list of capital needs.** The list is not inclusive of all of the capital needs, but at the last meeting when Mr. Gregory asked for an additional 1.4 mills, they were asked to show how the additional mills would be used on the project to upgrade to critical access. Six areas have been identified, along with amounts that are estimated that will be needed to fund the repairs and improvements.

Fire sprinkler sytem	\$163,500
Smoke detection & alarm system upgrade	50,000
HVAC unit that services the nurses station, physical therapy pharmacy & adjoining halls	75,000
Replace duct work from boiler room	19,320
New roof for hospital	141,000
Emergency power for Lab & Xray	50,000

In order to go under critical access the hospital has to downsize to a twenty-five bed facility. That was done as of August 31<sup>st</sup>. But, to meet the compliances of critical access you have to dismantle every hospital bed except twenty five. If DHEC comes in and finds twenty-six beds you have to take it down. In addition to that they allow you, and being critical access they don’t count any part of those license beds – the observation beds – they will not let you put a hospital bed in any of those observation rooms. Mr. Gregory said that, accordingly, they will need additional stretchers, about \$35,000 worth. Stretchers can be put in those rooms but the patients who are observation patients, and patients coming out of surgery, have to be put on stretchers opposed to hospital beds. Observation patients are patients that will be in the hospital forty-eight hours or less. We can observe them there, and those are reimbursable days but the patient cannot be in a hospital bed. (Medicare will reimburse 101%-its part.)

There are many other items in the hospital in need of replacement or renovation that do not pertain to the critical access status. These are items that need addressing that are

capital expenditures for the hospital. Items needed at this time to operate sufficiently, as well as to continue to provide good quality care, totals about \$1,600,000.00 (this includes the six items prioritized above).

The finance committee plans to implement a contingency plan this year to present to the board to say that if we dip down the way we are dipping down with our utilization of services we have to be able to implement a contingency plan to reduce down the expenses of operation. Some of that means getting down to the core, and the quickest way to do that is to reduce down the FTEs, but are as tight in that respect as we can get and still maintain the level of service we are providing twenty-four hours a day, seven-days-a-week. But if it comes down to it, we must be able to implement some kind of contingency to reduce down expenses and that may be looking at the services that we are providing on a twenty- four hour a day, seven-day-a-week basis, and prioritize. We will not be able to take on much more debt if the hospital does not get more utilization. Cash flow is in a negative spin, and is projected to be, so we could be in trouble. One way the hospital is hoping to get utilization up is to have more surgical services and doing more procedures. Would like to increase out-patient services.

The administrator asked Mr. Gregory "If the hospital does not get critical care access, what would it cost you?" "About \$463,000-have operating reserves about \$200,000 to \$300,000."

Ms. Heizer spoke at this time about the GO debt as a means of funding capital needs. General Obligation debt of the county would continue to be in existence until it is repaid. In the very unlikely event that there would be an issue about the hospital being a going concern the GO debt of the county would still be paid from countywide millage. The revenue bond is collateralized by the physical plant at the hospital and the revenues from the hospital – this debt being the construction of the new emergency room.

There is a debt with the county (\$300,000 loan) which is a GO debt for the hospital two years ago. That is very similar to what is being discussed for this type of arrangement. By September 15<sup>th</sup> of each year they have to place with the county treasurer the principal and interest payment to cover that debt. The county took it on as a GO debt and made it as a loan to the hospital. They pay the amortization schedule back to the Treasurer. If they do not put it with the Treasurer by September 15<sup>th</sup> and we start getting tax receipts the Treasurer takes the money from the hospital operations millage.

Ms. Heizer stated that the revenue bond that will be issued when the construction project is finished is with Rural Development, and that gives you the advantage of a relatively low interest rate and allows you to go out for a longer period of time. It would be difficult for a lender to agree to additional revenue debt because they would look at some form of coverage and a comfort level that there would not be problems producing revenue to pay

the debt. Back to Rural Development, there may be a possibility, but based on our experience, it is a many, many months process and we have been with this construction loan for almost two years now. Short term I don't believe Rural Development would be in a position to help. From a lender standpoint, the general obligation bond is not based on the credit worthiness of the hospital – it is based on the taxing power of the county council. That is why that form of debt would be readily available because it is safer for the lender, and has the disadvantage from the county's point of view of the county council having to increase the millage to make sure it gets paid.

The hospital will apply through the Duke Endowment for a grant. January is the deadline for applying and grants will be awarded the following June.

Ms. Heizer stated that if she understood correctly, the full seven mills are available whether it is for operations or part of it is for debt service. If the council was inclined to approve the approximately \$500,000 general obligation bond – there are probably two options. The timing is if you are going to put millage on for the general obligation bond, then that millage needs to be available right around now so that it can be on the tax bill. Some county auditors will allow you to say that you are going to issue these bonds, put the millage on (that is one option). The other option would be to have the millage put on for operations and have the hospital in the first year transfer it back. The third option would be to do a bond anticipation note that would allow you to get on cycle and actually have the bond issued next August.

The way it has been done in the past, per Mr. Adams, is that the \$300,000 loan to the hospital was through the operations. The council still wants to operate everything under the seven mill cap . There isn't a problem with that if they place payments on the amortization schedule with the treasurer in advance. Ms. Heizer said that as long as the payments are actually made from the hospital back to the county treasurer so when they look at that account to see how much millage needs to be put on for the next year – if the money is already on deposit, then no additional millage will have to be put on.

The additional 1.4 mills will cap the seven mills and over a ten year period should take care of the approximately \$500,000 capital needs toward the critical care access. That would be around \$65,000 - \$67,000 a year.

Councilman Kitchens made the motion to raise the millage 1.4 mills to obtain \$498,820 general obligation for the hospital. Motion seconded by Councilman Bright. Motion carried unanimously.

#### **Investigative Matter.**

Chairman Kneece made a motion to request assistance from the SC Judicial Department's Office of Disciplinary Counsel in an investigative matter. Councilman Kitchens stated that he felt that until SLED comes in and wants to investigate this it should be dropped.

Councilman Bright made a motion to go into executive session to discuss this matter. Motion seconded by Councilman Dorn. Motion carried.

Coming back into regular session from executive session, the Chairman stated there was no action to be taken at this time. The Chairman withdrew his motion and the matter will be taken up at the October meeting.

Mr. Byrd, the County Attorney, stated at this time that a FOIA request had been received from one of the local newspapers. We have fifteen days to comply. The request is for all documentation in our possession pertaining to a particular matter (computer misuse). The request will be handled according to the law.

There being no further business, Councilman Dorn made the motion to adjourn.

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C. Monroe Kneece, Chairman

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Willie C. Bright, Vice Chairman

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Norman Dorn, Councilman

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Joel D. Hudson, Councilman

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B. Everette Kitchens, Councilman

ATTEST

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Barbara R. Stark, Clerk to Council